



**GASB 54 Sub-Committee on Financial Management, Accounting and Reporting  
December 15, 2010 Meeting Minutes**

The GASB 54 Subcommittee met on December 15, 2010. Members in attendance: David Peterson- chair, Jeff Yeager, Patrick Chaffey, Tracey Fiereck, Nancy Schulzetenberg, Pat Morphew (conference call). Others in Attendance: Dianna Groskreutz  
Minnesota Department of Education Staff: Tom Melcher, Audrey Bomstad, and Mary Weigel

The meeting was opened by Dave Peterson at 10:07 a.m.

The committee members reviewed and approved the agenda.

The committee reviewed and approved the meeting minutes from November 17, 2010.

Audrey discussed the updated spreadsheet that summarizes UFARS fund balance accounts. The following items were discussed:

**Integration Revenue** – The committee discussed the type of GASB 54 fund balance classification for integration revenue. It was decided that that integration revenue would be classified under the committed, assigned and unassigned category. Originally, MDE had classified integration revenue as restricted but after much discussion it was determined that if a levy adjustment was necessary resulting in a fund balance it shouldn't be treated any differently than a general education levy adjustment. The committee recommended that districts should use deferred revenue to account for a future negative levy adjustment.

**Interdistrict Desegregation Transportation** – MDE classified this revenue as committed, assigned and unassigned. This program is a reimbursement of cost activity and generally would not result in a fund balance. The committee agreed with this classification.

**Levy Recognition** – MDE referred to Minnesota Statutes, section 123B.75, subd. 5, levy recognition, and subd. 8, deviations footnoted. The cause for review revolved around early recognition of future levy adjustments, in specific, as related to integration revenue. The revenue deferral above in integration provides the solution.

**Court-Placed SPED Revenue** – MDE classified court placed SPED revenue as committed, assigned and unassigned. This program is a reimbursement of cost activity and generally would not result in a fund balance. The committee agreed with this classification.

**Out-of-State Tuition SPED** – MDE classified court placed SPED revenue as committed, assigned and unassigned. This program is a reimbursement of cost activity and generally would not result in a fund balance. The committee agreed with this classification.

**Telecommunications Access** – MDE classified the telecommunication access fund balance as committed, assigned and unassigned for the fund 01 portion. The fund 04 portion of telecommunications access is classified as restricted. The committee discussed how these funds would be handled, it was determined that the funding is probably handled similarly to nonpublic funds. MDE will do additional research on how the funding flows from districts to nonpublic entities.

**Building Lease** – MDE had initially classified building lease as restricted fund balance. The committee discussed building lease and how it could be funded through operating capital levy or through the general fund. If the operating capital levy was used (finance 302) this would likely be a restricted fund balance. If the general fund was used (finance 000) this would likely be classified as committed, assigned and unassigned fund balance. MDE will do additional research in terms of finance 000 and 302.

**Medical Assistance** – MDE had initially classified medical assistance as restricted fund balance. The committee review Minnesota Statutes, section 125A.11 subd 3 use of reimbursement to determine if the statute restricts the use of these funds. The committee felt the statute was vague with the inclusion of the word “may”. It was recommended to obtain a clarification from the legislature to determine if they meant to use the word “may” or “shall” for this statutory provision. Based on the current reading of the statutory language the committee felt the proper classification should be committed, assigned and unassigned fund balance.

A question was raised why these funds are considered local dollars when they are federal funds. DHS receives the federal funds and distributes the funds to the school districts. The districts have incurred the expenditures and are seeking reimbursement for these costs. The school districts record the medical assistance funds from DHS as local dollars. These funds are recorded as local funds because the relationship between DHS and the district is considered a vendor relationship for federal purposes. Funds classified in a vendor relationship lose their federal identity becoming local funds.

**School Age Care Associated With Half-Day Kindergarten** – The committee agreed that school age care should be classified as restricted/reserved. However, a question was brought up about the finance code listed in the spreadsheet. The committee did not think finance code 000 should be used, it was suggested that finance codes 321 or 798. MDE will research to determine the appropriate finance code(s) and update the spreadsheet.

Expanding balance sheet account 464 – Restricted Fund Balance to include all funds. The committee had not established a generic restricted fund balance account for fund 01. The committee had focused on fund 01 restricted/reserve fund balances as required by statutes. After discussion, it was determined that there could be instances in which funds could be restricted in fund 01 and not necessarily just by statute. The committee felt that these instances would be rare; however, it could occur. The description in the UFARS manual will clearly explain the usage of balance sheet 464 for fund 01. The other funds have restricted fund balances because they are classified as special revenue funds.

Pat Morphey shared with the committee an article from Association of School Business Officials (ASBO) titled “Tips for School Districts: GASB’s New Fund Balance Standards”. The article is for informational purposes for the committee.

Dave Peterson presented information on St. Paul School District's board policy implementation of GASB 54. His presentation included a summary of GASB 54 fund balance classification policies and procedures, draft of GASB 54 Fund Balance Reporting, a comparison between traditional fund balance accounts and GASB 54 fund balance accounts in a financial statement. The district is working to develop and update board policies. Dave indicated that districts need to be aware of the timeline required to develop or update board policy, it can take several months to incorporate changes.

Mary explained that she had talked with Kim Eisenschenk about the GASB 54 presentation. Kim is anxious to receive a list of the presenters if available and brief summary of the training. She is in the process of developing the training agenda and would need the information very soon. Mary will prepare a brief summary of the training and will distribute it to committee members for their review and approval.

Audrey discussed the GASB 54 training. There will be three components to the training: board policy, accounting and auditing, UFARS changes. Nancy Schulzetenberg volunteered to speak about accounting and auditing, to include a GASB 54 overview, financial statement implementation and definitions. Dave Peterson volunteered to speak on board policy which will include: what does it mean; what might need to occur; how to establish policy; and how district management and the board will develop procedures to commit and assign funds. MDE will have a representative discussing UFARS changes and the logic behind the changes and why new accounts are needed.

The presenters will forward their portions of the Minnesota Association of School Business Officials (MASBO) winter presentation to MDE by January 12, 2011. MDE will combine each presentation into one presentation and will distribute it to the committee members for their review and comments. The MASBO winter presentation is February 10, 2011, with two sessions, 11:00-12:00 p.m. and 1:00-2:00 p.m.

MDE will prepare a section for the UFARS manual discussing the implementation of GASB 54. The information will be electronically distributed to committee members for their review and approval.

Dave questioned on the spreadsheet the presentation of "Annual OPEB not held in trust". Audrey explained she intended it to represent the amount of annual levy. The committee determined that the title should be changed to "OPEB bonds not held in a trust".

The committee requested MDE to review balance sheet 418 Committed for Separation/ Retirement Benefits to determine if there could be potential accounting issues with funds 02 and 04. The concern is that a reporting conflict will occur because balance sheet 418 would be committed, assigned or unassigned funds in fund 01 but for fund 02 and 04 these funds must be restricted because they are special revenue funds. MDE will conduct research to determine a resolution for this reporting conflict.

The next meeting will be determined at a later date, as needed.

Meeting adjourned at 12:30 p.m.